

DATE: March 2, 2021
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Approved by
the Select Board on:

2/8/2021

Meeting Minutes

TOWN OF BELMONT JOINT MEETING WITH WARRANT COMMITTEE,
SELECT BOARD, SCHOOL COMMITTEE, AND FINANCIAL TASK FORCE II
THURSDAY, JANUARY 7, 2021
7:00 PM

Laurie Slap, Chair, called Warrant Committee to order. Tom Caputo, Vice Chair, called Select Board to order, Andrea Prestwich, Chair, called School Committee to order. Town Administrator Patrice Garvin, Assistant Town Manager Jon Marshall, members of the Warrant Committee, members of the School Committee and members of Financial Task Force II were also present.

PUBLIC FORUM -- UNDERSTANDING OVERRIDES AND MAKING DIFFICULT
BUDGET CHOICES

Forum is sponsored by Warrant Committee.

Slides presented tonight are available on Belmont web site www.belmont-ma.gov/FY22-budget-information.

"Examining Financial Options for FY22 and Beyond" presented by Laurie Slap, Chair of
Warrant Committee.

- Laurie presented slides related to the override. She said they want to get as much input as possible from residents. There will be another budget forum to follow to look more closely at financial models.
- She provided slide that compared Belmont to neighboring towns: Arlington, Lexington, Waltham, Watertown, and Winchester. Belmont relies predominantly on residential taxes; Waltham has 59% commercial property and Belmont has only 5% commercial property. Winchester and Arlington are more like Belmont.
- The growth in average single family tax bills is similar to neighboring communities and constrained by Prop 2 ½.
- The definition of a structural deficit is when your recurring expenses are growing faster than recurring revenues and the budget gap increases as time passes.
- Belmont currently has 13.1M in total reserves. Reserve funds are historically used to help fund operating budget, OPEB liability, and one-time capital expenses.
- Reserves were high due to a conservative approach taken when pandemic started; Belmont implemented a hiring and spending freeze. Shut downs caused reduction of expenses over time and \$6.4M was turned back at end of fiscal year. In addition, the town was aggressive in obtaining federal funding. There was also a one-time investment income due to financing of new High School.
- How much of these reserves do we need? Belmont Treasurer recommends keeping 3-5% of budget for emergencies and the total reserve policy requires the maintenance of 10% balance.
- Our current reserves are at \$10.2M. In past years, it was common to use \$2M for operating budget.

- Laurie reported that use of these excess reserves will be discussed at the next Town Forum.
- Belmont has a double AAA rating which helps reduce the interest rate for building projects. In 2019, \$6M was saved due to lower borrowing rates.
- Looking at the structural deficit diagram, you can see reserves are only a one-time solution. Excess reserves are most judiciously managed when they are used over a span of time, not all in one year.
- Revenue sources can also impact budget gaps. New buildings permit a one-time revenue source, ie, McLean or Cushing Sq. An example of a recurring revenue would be profits gained from marijuana dispensaries.
- One time revenue, and reserves can help temporarily. But even recurring revenue is still not enough to solve the structural deficit.
- The town has implemented initiatives to increase revenue. The slides show amount of impact for each initiative. The town is continuing to pursue all opportunities possible, but these opportunities are still not enough to solve structural deficit.
- The town has also developed many policies and processes that help to reduce expenses: restructure of facilities, savings on purchasing contracts, recreation department restructure, shared nurse with Lexington, mutual aid in Fire Department, and shared inspector with Watertown.
- But even reduction in services does not remove structural deficit over time.
- Expenses contribute to structural deficits: health care, pensions, and compensation increase faster than the Prop 2 ½ rate.
- Another expense that Belmont has to manage is the requirement that pension liability has to be funded by 2040. The town is currently 57.6% funded; our plan is to attain full funding by 2031. We plan to attain full funding a number of years before deadline date of 2040 to avoid interest rate increases. Pension decisions are governed by a fully independent Belmont Retirement Board.
- Health care has been growing by 8.3% on average. The town made changes to the health care plan design that amounted to \$500K savings in 2021. This helped reduce the growth rate from 8% to 3-6%.
- Compensation growth is mainly due to school enrollment increases which require new staff hires. School salary comparisons to towns of similar demographics (wealth and similar enrollment numbers) show that Belmont is just a little above average. These numbers are affected by teacher seniority cohort. Teacher compensation contracts compared to other communities are shown in slide. Another chart from public safety shows base minimum and maximums.
- We need to attract top quality employees. Belmont seems to be in line with peer communities. Union contracts always require special negotiations.
- FY22 slide shows how services are delivered by FTE and types of functions in each department. The bottom line is that you can cut services but budget drivers can still affect structural deficit gap. Reducing services affects residents directly and many services are legally mandated.
- Prop 2 ½ dictates that if you want to raise property tax above a 2 ½% growth rate, it has to go through voters. When override is passed, it shifts the revenue and helps for multiple years, but even with override, structural deficit can return. One way to fill the gap is to use savings from earlier period.

- To date, there have been four overrides in Belmont. Belmont has invested in a new Middle and High School, town hall renovations, two fire stations, senior center, and new pool. Over the past 40 year period, Belmont's total override has been less expensive than Arlington and Lexington. Override is a tool included in the in Prop 2 ½ guidelines.

Tom Caputo presented slides from override discussion at Financial Task Force 2 meeting:

- Financial Task Force 2 (FTF2) was created in 2019 to provide input to Select Board. The Task Force makes recommendations for policy and is responsible for creation of a multi-year financial plan. FTF2 was convened to make specific recommendations for override. All FTF2 meetings have been publicly broadcast and are on Belmont Media. The details of the financial model they have developed will not be reported tonight but will be presented at the next Town Forum.
- Caputo said that the financial model developed by the FTF2 helps to frame choices ahead. The model projects five years of revenue and expenses. This multi-year financial tool is based on assumptions and incorporates feedback from residents and committees.
- The model displays a series of choices about how we want to approach our financial challenges.
- Benefits of override include:
 - Allows town to keep up with school enrollment.
 - Safeguards services.
 - Helps to embrace teaching and learning vision.
 - Provides investments in much needed capital. ie, maintaining buildings, minimizing future costs.
 - If we use reserves prudently, the plan provides 3 years of financial stability,
 - Passing an override in 2021 will allow us to have smaller override than if we waited until after 2021.
 - If override is not put in place by 2022, free tax reserves will be exhausted. The Town Treasurer, said it will put our double Triple A bond rating in jeopardy and we force capital maintenance deferment. If we wait until 2022 and 2023, the nature and scale repercussions would be challenging for town to recover.
 - Caputo said that the bottom line is that override would provide stability. If the town does not pass an override, we will suffer cuts in services. Data shows that the longer we wait, the higher the cost.
- The next Town Forum is scheduled tentatively for January 20th. The FTF2 will make recommendations at end of January, and Select Board will make decision about override shortly after that. In February, budget scenarios will be reviewed. Override, if approved, would be voted on April 6, in annual town election.

CHRIS DOYLE AND GEOFFREY LUBIEN MODERATED QUESTIONS FROM ATTENDEES:

- Q: Can you explain why Arlington's tax bills seem lower than Belmont from the graphs in slide.
- A. Chris Doyle explained that Arlington's tax bills are lower, due to lower home values.

Q: Why can't town take a hard stance when negotiating compensation with unions? For instance, mandate 50/50 health care split for employee and town? We are already past our contract renewal with schools so what would be the risk in taking this hard line stance?

A: Garvin explained that all Belmont's union contracts (n=7) expired on June 30, 2020. She says that Belmont has only gone to table to negotiate one of these expiring contracts, the others are pending negotiation. Unions require that contracts be negotiated in executive session. She said that Belmont is currently working with unions to set up these negotiations. Garvin also clarified that the employee health insurance split is 80/20, for newer employees it is 75/25. We can only change this split through negotiating. But since Belmont implemented a new health care design this year, we cannot negotiate split this year with unions.

Q: Has Belmont looked at alternative contract structures for the schools? What has the town done to explore getting off Step and Lane structure for school contracts? Pro Comp in Denver and IMPACT in Washington DC are examples of cities that went off Step and Lane.

A: Superintendent Phelan said that Belmont has one teacher's union that represents four different units. One union represents teachers, supervisors, para professionals and secretaries, as well as the food service unit. With the teacher's umbrella contract for one unit, there is an alternate design, which is a more merit-based plan than Step and Lane. But the others are very traditional and similar to other municipalities in Massachusetts.

Q: The slides show that the education expense takes about 60% of the town budget. And also shown on the slides, the teachers' compensations increase about 2% annually, but we see a 5.7% overall compensation increase. Can you explain where the gap is from?

A: Superintendent Phelan said this COLA is consistent with town at around 2%. With Step and Lane structure, first year teachers with Master's degrees, go down a step in second year which increases their compensation and COLA. He said this is a very common formula. He said they have been working with FTF2 on this. One of reasons that salary line has been increasing is due to increasing numbers of staff due to increasing enrollment. He said they are trying to separate existing salaries from new salaries to get a more accurate average rate of growth. Recent tweaks to model have brought the average salary growth down to 4.9% and they are working to get it lower.

Q: Could the public have access to the Collins Center model to do their own modeling activities? It is going to be important for taxpayers to understand the costs of the property tax increases. Not just the dollar impact of the override on the individual taxpayers but also the already approved debt exclusion that we have started to pay for. As a taxpayer we need to know how much our total taxes are going up.

A: Lubien answered that the town will give access to the Collins town model. He said he will work to put up a user friendly version of the model. The model currently exists as a complicated excel file and they will try to make it simpler so town residents can manipulate it.

Q: How will override affect individual tax payer?

A: Lubien said they are working out a way with Town Treasurer to provide an individual impact analysis for average house in Belmont.

Q: If we push off the override for a year the amount will be higher. But what you really mean is that, if passed, we are overpaying for one year of the override as you build a fund to pay for years two and three. What are different options for Year 1 override and using free cash.

A: Lubien replied that we need to make that clear and that this would have to be flushed out at next override meeting.

Q: What do we know about the most recent demographics of Belmont? Many new families move here for schools and are willing to pay an increase in taxes.

A: Superintendent Phelan said he doesn't have full town demographics but we know that student population is seeing an increase of non-English speaking students. Garvin said she had to do demographic study during McLean development. She can make that information available online. Laurie Slap added that they we will try to aggregate information relative to budget and post to budget page on website.

Q: Please publicize the link for the FTF2/SB meeting tomorrow, as it's not readily available on the town SB agendas.

A: Lubien said it should be up on town website now and on Belmont Media Center.

Q: What is the current business model for Belmont Light? Should we still have a municipal light department?

A: Adam Dash, Chair of Belmont Municipal Light Board said the Light Board buys electricity and sells to the town. It's an enterprise fund like sewer resources and pays for itself. There are other municipal light departments in Massachusetts. The benefit of Belmont Light is its ability to deal with outages with a quick response time. Belmont Light also has the ability to decide which type of power supply we want to use. The people elect the Select Board and Select Board serves as the Light Board, which sets policy for Belmont Light, which is owned by the people of Belmont. When the people decide they want greener energy, they can do that with Belmont Light, as opposed with having an investor-owned, private utility company. Belmont is currently at about 63% green energy. We are on track to have 100% green energy. As owners of Belmont Light, we can control our own electrical supply. The new substation was built to make sure there is enough power to prevent brown outs. He announced that there will be a forum on the governance of Belmont Light on Jan. 28 at 7 pm.

Q: One of the biggest expenses in the town budget is health insurance, is there any chance we can shop around for different plan?

A: Garvin answered that we are under a self-insured plan. We are in the process of joining the GIC state plan, but not for year and a half. GIC is a bigger pool so there can be a chance to capitalize on savings.

Caputo noted that the Select Board made plan design changes to our existing health care plan, essentially took copays and brought them in line with the GIC. This resulted in savings of \$500K. This plan will continue to reduce costs in years to come. Dash said consultants said to wait to join, after GIC has completed a reorganization. There's no harm in waiting because we just changed our plan to mimic the GIC.

Q: When Collins Center came in a couple of years ago and warned about "fiscal cliff," what budget changes did town make to respond to their analysis? Q: Definition of "fiscal cliff."

A: Chris Doyle answered that the definition of "fiscal cliff" is the possibility of service cuts.

Garvin replied the Collins Center recommendations suggested that we could raise local receipts amounts. Water and sewer enterprise funds had a flat indirect cost. Collins suggested to come up with a formula for indirect and the change resulted in more revenue from Water and Sewer for operating budget. Doyle replied that some modifications suggested by the Collins Center were to our health plan structure, also savings and efficiency related to combining facilities, department activities across town and schools, restructuring recreation department, and revision to trash contract.

Q: It seems estimates are changing on marijuana revenues. The July proposal for the marijuana shop indicated an \$3M initial annual revenue contribution to the town. This is at variance from the presentation that Laurie just gave with \$1.2M in revenue.

A: Garvin replied that this is multi-year estimation. Select Board just signed with two marijuana establishments. We are able to get 3% of the sales from facilities. The model used estimated time schedule and made assumption of additional revenue. Over multi years, it turned out to be \$1.6M estimate. If other towns are developing similar establishments, the demand could change so we are trying to be conservative.

Q: What potential income could come from McLean zone 4 as a pilot if that is developed as expanded institutional space for the hospital?

A: Garvin said when zone 2 was built out, there was a certain amount coming from that development. Zone 4 is being developed now for research. We are still working with McLean on that parcel 4. There are other discussions with other non-profit pilots like Belmont Hill. Belmont Hill acquired property and will potentially be using land for future use. Right now they are paying taxes and once they figure out what they will do with it, then we will make decision about how to handle.

Q: We approved \$320K in 2020 at special Town Meeting for the Water department to purchase the two trailers currently used for the police department renovation. Was there a need identified for additional space for the department before this proposal? Was it in the long-term plan?

A: Garvin said trailers were purchased by Water Department, with an enterprise fund. The money used was not part of operating budget, and does not touch free cash. Water Department surplus goes into retained earnings. Town has strong need for extra space for departments. Retirement office needed to move out of town hall due to space and they are renting space currently. The Water Department building is not ADA accessible, and need lots of maintenance. Given our financial situation, we are not really sure what costs would be. Trailers helped temporarily alleviate space needs. Police Department is occupying trailers, so we are saving lease money because they haven't moved out yet. Garvin promised that whatever decisions are made about space, will first be discussed with neighborhood.

Epstein said they discussed the need for trailers at Town Meeting when they approved purchase. We saved money on the renovation at Police Department and we got bargain price.

General Comments by Laurie Slap:

- She feels more clarity will be reached by next Town Forum. Working with FTF2 has been helpful.
- She also reminded everyone that the Warrant Committee is trying to build resource page on their website page. They will add a form for asking more questions and Warrant Committee will monitor.
- She entertained further questions from the 91 people on this Zoom event. She asked for people to use the "raise hand" feature in Zoom.

Further comments from attendees:

- Kathy Keohane commented that it was a great forum. She reminded that when facilities were consolidated, it was initially town/schools and then library. She recalls there was an opportunity to leverage the investment management that state offered to provide for retirement board in lieu of independent group.
- Laurie Slap said that Warrant Committee had a presentation a few weeks ago on this topic.
- Epstein replied there is a sub group in the Warrant Committee, formed a couple of years ago that focuses on retirement obligations. That working group is analyzing data regarding pension investments. But the ultimate decision based on independently elected retirement board. We need to see where our analysis leads and if it leads to recommendation, then we would have to work with retirement board to make decision.
- Keohane asked if there is a cost associated with that independent board that we could minimize by leveraging other resources? Epstein said it's required by state law. Every town has its own board or is a member of collective.
- Jessica Hausman pointed out that the amount in override for schools varied between \$400K and \$650K. When you put \$400K into spreadsheet, there is deficit in worksheet, but if you put \$650K, deficit doesn't arise. \$650K would supply enough for the needed teachers. She asked why we are trying to cut this so close? She doesn't think this difference will affect voters. She thinks we should set the amount a \$650K to give people who want to invest in schools something to vote for.

- Lubien replied that he is not quite sure from modeling standpoint, whether going from \$400K to \$650K lowers deficit. Caputo said that anyone interested in discussing this topic can join the FTF2 meeting at 8 am tomorrow morning. Wants to let people know that they are continuing to fund school at levels that can sustain good services. They are using both numbers to try to strike good balance and be good stewards of taxpayer dollar.
- Superintendent Phelan replied that Geoff and Tom are correct, the amount for schools has not been fully decided yet. Originally, 400K was place holder from FTF1. Enrollment has been growing since that time, so school committee arrived at the larger number. He announced that there would be an additional School Committee meeting on Jan. 19 as well to continue to talk about the budget.
- Andrea Prestwich thanked Jessica for her advocacy for schools. We are hearing that we should ask for what we need to take full advantage of new school.
- Comment was made to make sure that when house across from Belmont Hill School is reviewed for Youth that Precinct 2 residents are alerted and involved. Patrice confirmed this would happen.
- Alison Lenk said that given that there is \$11 to \$12M in free cash, could we hear more explanation about override amount vis a vis free cash and triple A rating.
- Lubien explained if free cash is used to offset override while maintaining policy of using only 10% of reserves, then operating revenues helps with bond rating. Treasurer of Belmont said that if all free cash was used in one year to offset operating budget, it could have negative impact on our AAA double ratings. FTF2 is still discussing this.
- Slap said we are going to be looking at how models are affected by free cash and as model gets refined, we will know more about that.
- Doyle said AAA ratings are seemingly expensive, and the benefits are not as evident when interest rates are low, as they are now, but when interest rates go up, maintaining a Triple A rating is a good overall policy. Town Treasurer warned that once you lose the bond ratings, it's hard to get them back.
- Caputo said if we fully deplete Year 1 free cash, we may not have cash available in this unpredictable and turbulent economy. Spreading use of free cash over a few years, may reduce override amount.
- A resident asked about the "high" Town Administrator salary.
- Epstein responded that Patrice Garvin's salary was discussed in detail by the Select Board when her contract was renewed. Our school superintendent also has a new contract with a salary that will be more than Patrice's.
- Laurie Slap announced that there is email address on Warrant Committee web page for residents to leave comments or questions.

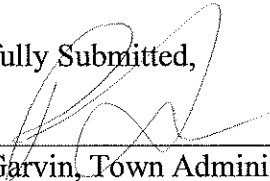
Mike Crowley made motion to adjourn School Committee. Motion approved by full committee

Roy Epstein made motion to adjourn Select Board. Approved by vote (3-0).

Geoffrey Lubien made motion to adjourn Warrant Committee. Motion approved.

Date for next town forum on override will be decided in a few days and announced to all.

Respectfully Submitted,



Patrice Garvin, Town Administrator

